ANNUAL REPORT 1974

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Canada Northwest Land Limited

CNW

DIRECTORS:

S. L. Christensen
New York City, U.S.A.

H. G. Gammell
Calgary, Alberta.

N. E. Goodman
Toronto, Ontario.

D. W. Hilland
Calgary, Alberta.

E. A. Jonas
New York City, U.S.A.

J. Poscente
London, England.

M. S. Reford
Aylmer East, P.Q.

G. G. Ross
Montreal, P.Q.

R. T. Ruggles
Montreal, P.Q.

Lord Shaughnessy
Calgary, Alberta.

OFFICERS:

H. G. Gammell
President

J. Poscente
Vice President

Lord Shaughnessy
Vice President and Secretary

D. W. Hilland
Assistant Secretary

M. J. Khan
Controller

BANKERS:

The Royal Bank of Canada
Canadian Imperial Bank of Commerce

TRANSFER AGENTS:

Canada Permanent Trust Company

AUDITORS:

Clarkson, Gordon & Co.

STOCK LISTINGS:

The Toronto Stock Exchange

SUBSIDIARIES:

Canada Northwest Oils, Inc.
Canada Northwest Oil (U.K.) Limited
Canada Northwest Oils (Europe) B.V.
Thor Exploration Company Ltd.
Pawnee Petroleums Ltd.
Red Deer Minerals Ltd.

HEAD OFFICE:

920 - 355 - 4th Avenue, S.W.,
Calgary, Alberta, T2P 0J1.

The Annual General Meeting will be held at 2:00 P.M., April 22, 1975 in the Waterton Suite of the Calgary Inn, Calgary, Alberta.

Highlights of Activities

Over the last few years, royalty rates have changed so often that year by year comparisons of net production and reserves have been made difficult. Therefore, in this report, the policy of reporting gross barrels for comparative purposes has been adopted. Please refer to the section on "Reserves" for more detail.

	1974	1973
Production (before royalties)		
Gross Oil (in barrels)	**168,700***	191,426
Gross Gas (in Mcf.)	**1,187,500**	661,200

**Reflects sale of Saskatchewan oil reserves.*

	1974	1973
Reserves (Proven and Probable) (before royalties)		
Gross Oil (in barrels)	**1,381,000***	3,100,000
Gross Gas (in Mcf.)	**174,499,000**	166,748,000

** Reflects sale of Saskatchewan oil reserves.*

	1974	1973
Net Land Holdings (excluding carried interests) (in acres)		
Freehold titles	**154,673**	277,285
P & N G Leases and Permits	**883,999**	832,243
Mineral Claims and Permits	**6,600**	6,600
Financial		
Gross Revenue before Crown Royalties and Mineral Income Taxes	**$1,139,500**	$ 738,400
Cash Flow	**$ 50,191**	$ 220,644
Shares Outstanding	**4,204,274**	4,191,119
Working Capital	**$ 653,699**	$ 514,553

To Our Shareholders / 2

For our Company, the past year was one of shut-in gas development and continued diversification of exploratory exposure. The former proceeded more quickly than anticipated at the start of the year and the latter, less quickly. A continued negative attitude towards our industry by Canadian governments, expressed by higher royalties and taxes, caused us to accelerate our U.S. exploration program while slow construction delayed completion of the most recent phase of Canadian gas development until after the year-end.

Despite the negative factors affecting the industry, our Company continued to grow in 1974. An examination of the charts in this report illustrates how our Company has changed since it started active exploration in 1969. Using 1968 as a base, the book value of our assets has enlarged by 30 times, from under $900,000 to $26 million. This increase in total funds invested is only starting to be reflected in revenues. However, since 1968 these have shown a threefold gain from $300,000 to over $1,000,000. Future gains are expected to be substantial as more of our shut-in gas is put on stream and prices rise. The increase in reserves of oil and equivalent gas, from under 700,000 barrels in 1968 to over 13 million barrels in 1974, gives an indication of the potential for revenue growth. By the end of 1974 the reserves per share outstanding were over three barrels of oil and equivalent gas. These charts also illustrate the shift in land holdings from Canada to international areas, the increase in capital expenditures and the burden of royalties, all of which have occurred over the past six years.

With assured growth in cash flow, well established foreign diversification and indications of a return to a more rational and sensible government-industry relationship in Canada, it is felt that — barring a major depression — our Company has established a good foundation for the future. It is expected that growth in assets in the future will be at least as dramatic as that which has taken place since 1968.

A company can be more successful than average, only if it is able to attract employees of superior calibre. Canada Northwest Land Limited is fortunate to have such employees and it is they who make our Company much stronger than the factual evidence of the balance sheet and profit and loss statement. Their qualities, as well as their hard work over the past year, are much appreciated.

H G Gammell

H. G. Gammell,
President.

Review of Operations 1974

EXPLORATION AND DEVELOPMENT:

INTERNATIONAL

United Kingdom, North Sea:

The North Sea continued to be the hottest exploration play in the world in 1974 with several large discoveries or field extensions. In U.K. waters, the Ninian oil field (offsetting Block 3/7 in which our Company has a 20% interest) was discovered by the British Petroleum Ltd. group in January. The field was enlarged during the year by three step-out wells drilled by the Burmah group and two by the BP group. At the time of writing, the BP group's third hole on Block 3/8, located less than a mile from the east boundary of Block 3/7, was drilling on what appears to be a separate feature south of the Ninian field.

In February 1975 the U.K. government announced a new scheme of tax measures for hydrocarbons which, while allowing for a high level of taxes on any extraordinary gains in profits, do provide incentive for the industry to invest in development. More important than the actual measures themselves, are the indications that in that country, hydrocarbon development could proceed in an atmosphere of co-operation rather than confrontation, between industry and government.

Our group's drilling plans on Block 3/7 have not been completed and final decisions as to time and location depend on the availability of rigs and equipment and the results of nearby drilling.

Spain:

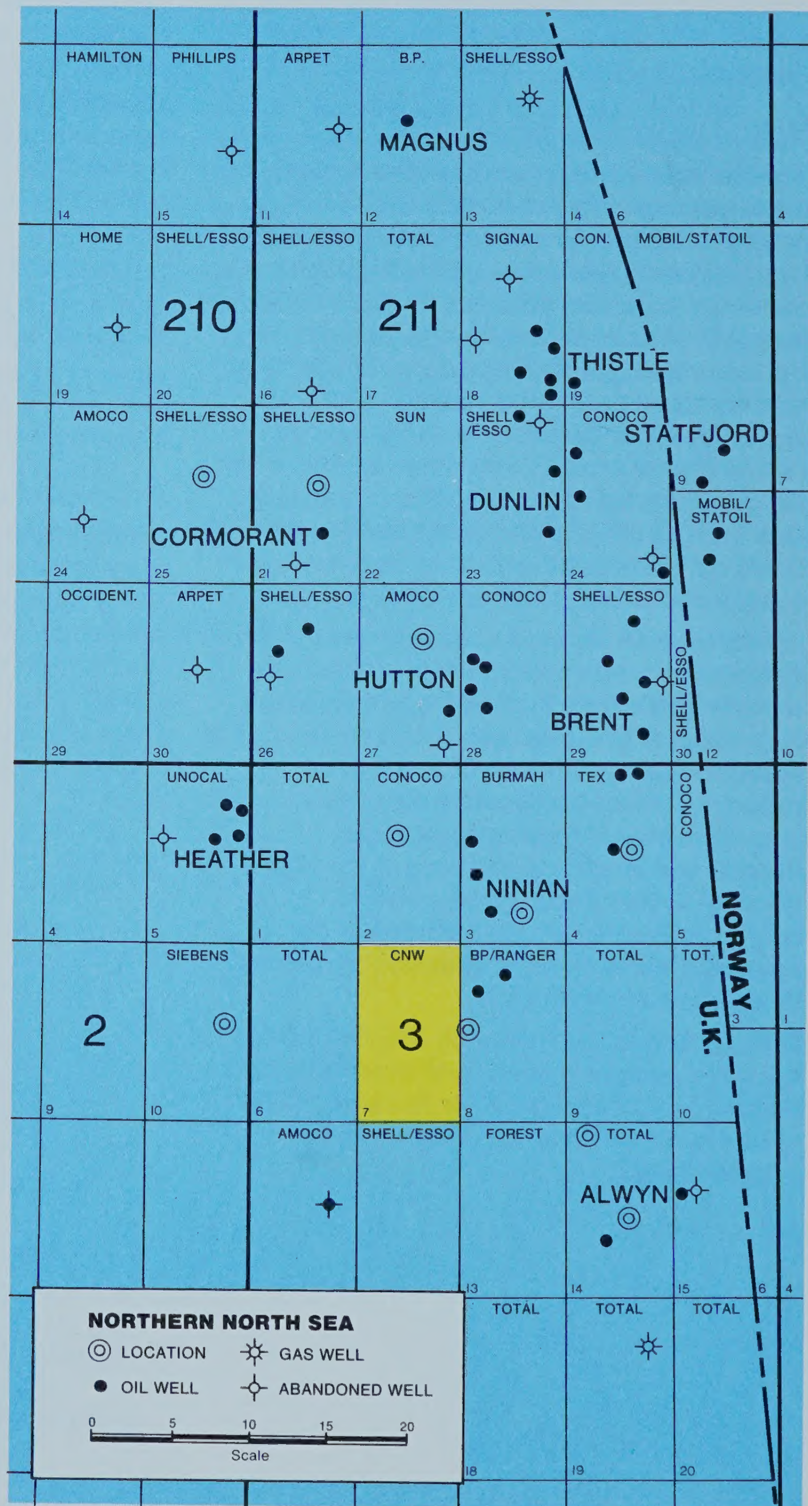
Geophysical surveys conducted in 1974 on five (50% owned) permits acquired in 1973 off the East Coast of Spain, showed the presence of several large structures. Drilling rigs are in short supply in the Mediterranean, however, it is hoped that drilling on these permits will commence before the end of 1975.

During 1974 Shell completed a fourth hole in the Tarraco field, four miles west of the boundary of our block. Two of these holes are classed as suspended oil wells and an exploitation permit has been taken out covering the field.

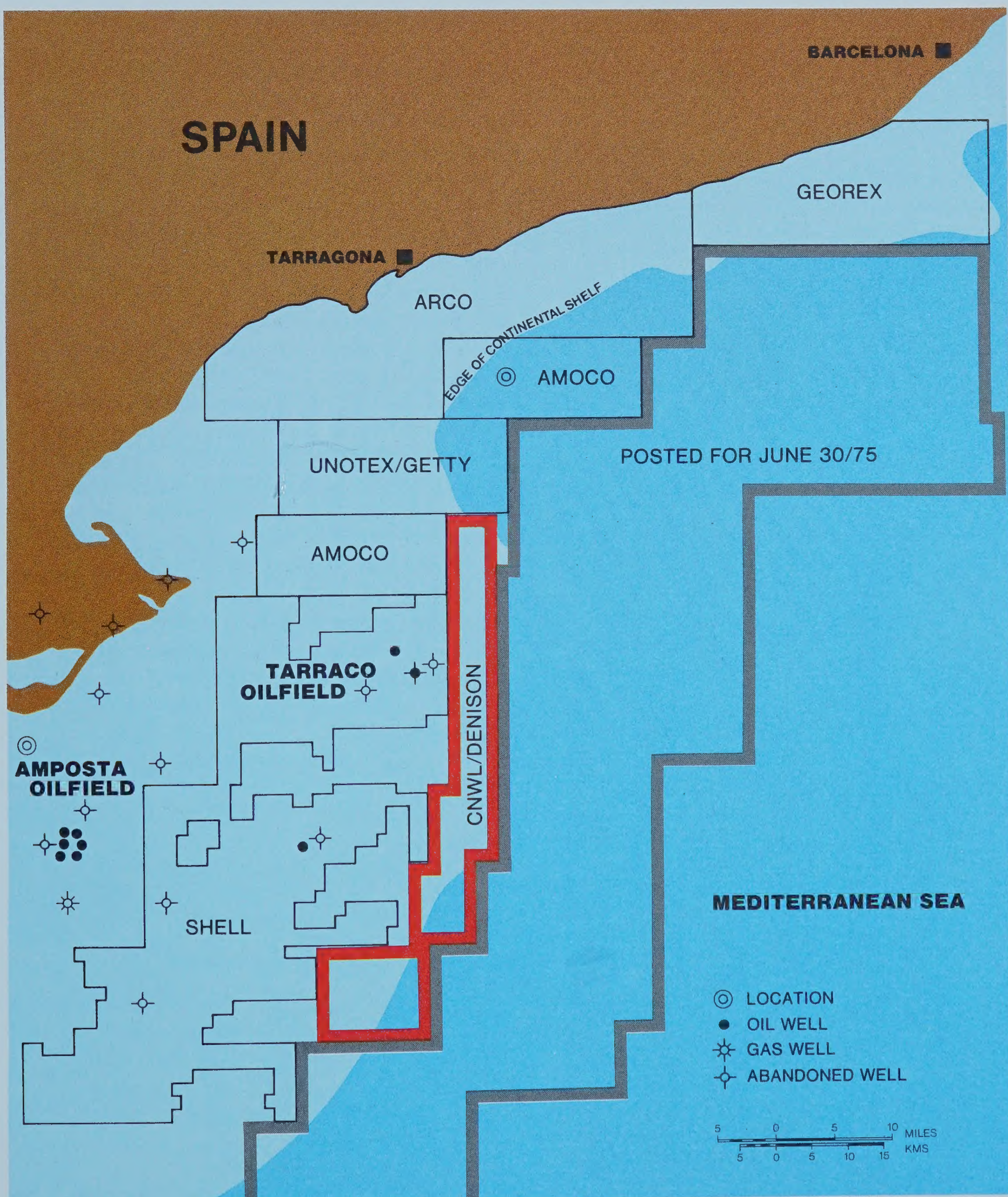
Other European Activities:

Geophysical surveys also were conducted on most of the Sicily offshore permits during 1974. Plans are being formulated for further activity on some of these permits. Exploration continued on Tunisian concessions farmed out in 1973. Applications for exploration permits covering offshore waters in several other Mediterranean areas are still pending.

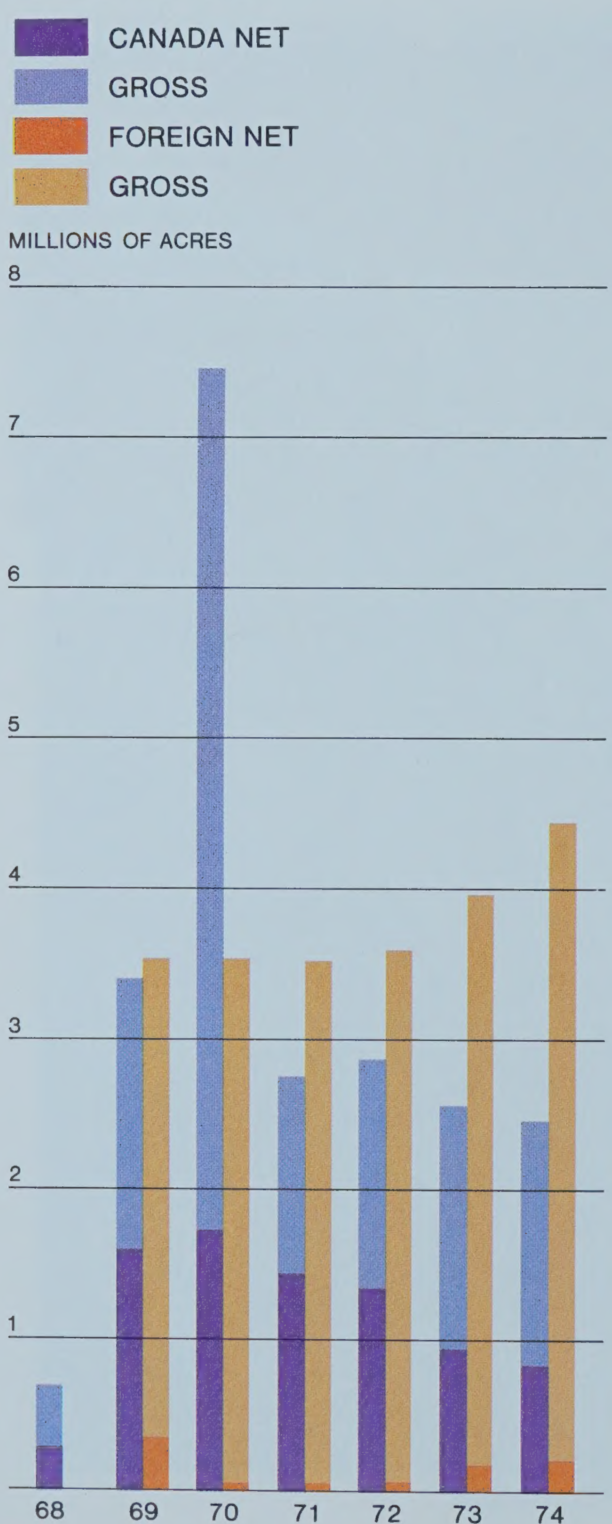
NORTH SEA — OWNERSHIP MAP



EAST COAST OF SPAIN — OWNERSHIP MAP



LAND HOLDINGS



UNITED STATES

Our Company's activity has been stepped up in the United States because of economics better than in Canada. In the United States, the industry is encouraged to explore by lower royalties, higher prices for gas and oil and tax structures which encourage new investment. While there are signs that taxes may increase and prices stabilize, the country is likely to continue to encourage exploration because of its desperate need to regain energy self-sufficiency.

Our oil and gas exploration program, initiated in 1969, is concentrated in the States of Montana, North Dakota and Oklahoma. An office was established in 1974 in Denver to more efficiently handle operations there. It is hoped that at least 10 holes will be drilled in the U.S. before the end of 1975. During 1974, four holes were drilled in Montana and one in Oklahoma. A two zone, 10% owned gas well was completed in Liberty County, Montana and was followed early in 1975 by a step-out, three zone gas well.

Applications were made during the year for geothermal leases in four States. The Company's interest is 8%.

EXPLORATORY ACREAGE

PETROLEUM & NATURAL GAS WORKING INTERESTS

(Net Acres)

	1974		1973	
	Gross	**Net**	Gross	Net
Canada				
Alberta:				
Freehold titles, leases, permits & licences	**393,843**	**191,624**	380,543	183,274
Saskatchewan:				
Freehold titles & leases	**116,021**	**111,748**	226,028	221,131
Manitoba:				
Freehold titles & leases	**18,028**	**18,028**	33,899	33,899
Arctic Island and East Coast Offshore permits	**1,420,218**	**500,820**	1,420,218	500,820
U.S.A.				
Kentucky	**15,130**	**6,809**	—	—
Montana	**63,540**	**24,821**	14,519	3,342
North Dakota	**18,783**	**14,352**	—	—
Oklahoma	**7,822**	**3,408**	—	—
	105,275	**49,390**	14,519	3,342
Foreign				
United Kingdom — North Sea	**50,025**	**10,005**	50,025	10,005
Tunisia	**3,526,172**	**35,262**	3,526,172	35,262
Italy	**202,807**	**37,610**	202,807	37,610
Spain	**168,370**	**84,185**	168,370	84,185
	3,947,374	**167,062**	3,947,374	167,062
Total P. & N.G. Working Interests	**6,000,759**	**1,038,672**	6,002,581	1,109,528

	1974	1973
CARRIED INTERESTS (GROSS ACRES) ALL IN CANADA	**510,121**	510,121

	1974		1973	
	Gross	**Net**	Gross	Net
MINERAL WORKING INTERESTS				
Alberta coal leases	**13,200**	**6,600**	13,200	6,600

NOTE: Our Company's 4¼% interest in the lands of Panarctic Oils Ltd. is not reflected in these tables.

Canada Northwest Land Limited

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1974 AND 1973

ASSETS

	1974	1973
CURRENT:		
Cash and short term deposits	**$ 2,091,368**	$ 1,125,818
Accounts receivable	**1,032,137**	705,874
Drilling supplies — at cost	**22,010**	52,416
	3,145,515	1,884,108
INVESTMENTS — at cost		
Panarctic Oils Ltd.	**15,583,976**	15,176,007
Rio Alto Exploration Ltd. (market value $94,500; 1973 - $145,000)	**122,250**	47,250
North Sea Petroleums Limited, a corporate joint venture	**132,020**	99,275
	15,838,246	15,322,532
PROPERTY AND EQUIPMENT:		
Oil and gas properties — at cost less accumulated depletion of $938,430 (1973 - $796,462)	**5,583,896**	5,535,820
Production and other equipment — at cost less accumulated depreciation of $204,757 (1973 - $155,983)	**1,788,010**	663,342
	7,371,906	6,199,162
OTHER:		
Unamortized debt discount and financing costs	**278,297**	520,029
Long term receivables and deposits	**309,316**	258,874
	587,613	778,903
	$26,943,280	$24,184,705

LIABILITIES

	1974	1973
CURRENT:		
Bank loan (Note 1)	**$ 1,000,000**	
Accounts payable and accrued charges	**520,432**	976,401
Long term debt due within one year (Note 1)	**971,484**	393,154
	2,491,916	1,369,555
LONG TERM DEBT (Note 1)	**8,803,123**	6,810,267
SHAREHOLDERS' EQUITY:		
Capital (Note 2)	**15,285,208**	15,218,355
Retained earnings	**363,033**	786,528
	15,648,241	16,004,883
	$26,943,280	$24,184,705

On behalf of the Board:

W G Gammell Director.

Director.

See accompanying summary of accounting policies and notes to financial statements.

Canada Northwest Land Limited

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1974 AND 1973

	1974	1973
Revenue:		
Oil and gas sales (after royalties and mineral income taxes of $239,306; 1973 - $37,443)	$352,539	$249,072
Royalty income	478,244	393,037
Interest and other income	69,417	58,871
	900,200	700,980
Deduct:		
Operating expense	187,751	130,088
General and administrative expense	307,011	187,616
Interest on long term debt (Note 1)	251,239	132,375
Mineral taxes	104,008	30,257
	850,009	480,336
Cash income from operations	50,191	220,644
Deduct:		
Depletion	142,341	116,680
Depreciation	49,868	24,756
Amortization of debt discount and financing costs	243,977	74,457
Deferred interest on Series B Debentures (Note 1)	37,500	37,500
	473,686	253,393
Net loss for the year	$423,495	$ 32,749
Net loss per share	(10¢)	(1¢)

See accompanying summary of accounting policies and notes to financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1974 AND 1973

	1974	1973
Balance at beginning of year	**$786,528**	$819,277
Net loss for the year	**423,495**	32,749
Balance at end of year	**$363,033**	$786,528

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1974 AND 1973

	1974	1973
Sources of working capital		
Operations	**$ 50,191**	$ 220,644
Proceeds on sale of oil and gas properties and equipment	**1,811,872**	959,071
Issue of long term debt		
Bank loan	**2,877,940**	1,303,661
5% - 7½% convertible debentures		4,500,000
Issue of common shares	**66,852**	2,097,274
	4,806,855	9,080,650
Disposition of working capital		
Expenditures on oil and gas properties and equipment:		
Drilling and exploration	**1,111,822**	1,204,535
Acquisition costs and rentals	**745,629**	321,323
Production and other equipment	**1,321,618**	435,930
Reduction of long term debt	**922,584**	4,028,154
Investment in Panarctic Oils Ltd.	**407,969**	900,627
Investment in Rio Alto Exploration Ltd.	**75,000**	47,250
Increase in long term receivables and deposits	**50,442**	190,157
Investment in North Sea Petroleum Limited	**32,745**	99,275
Debt discount and financing costs		496,530
Acquisition of shares of subsidiary company		1,268,031
	4,667,809	8,991,812
Increase in working capital	**$ 139,046**	$ 88,838

See accompanying summary of accounting policies and notes to financial statements.

SUMMARY OF ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

Oil and gas properties

The companies follow the full cost method of accounting whereby all costs associated with the exploration for and development of oil and gas reserves are capitalized and depleted on the composite unit-of-production method based on estimated proven reserves of oil and gas. The costs which are capitalized include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expenses relating to exploration activites.

Oil and gas equipment

Oil and gas equipment costs are also depreciated on the unit-of-production basis.

Investments

The Company has a 33% interest in a corporate joint venture, North Sea Petroleums Limited, which is engaged in the exploration for and development of petroleum resources in the United Kingdom. The properties held by the corporate joint venture are still in an exploratory stage and accordingly the Company's investment is carried at cost which represents its equity in the undeveloped properties.

Unamortized debt discount and financing costs

Financing costs are being charged to income on a straight-line basis over the life of the related debt while the debt discount relating to the Convertible Subordinated Debentures is being charged to income over the two year interest free period to September 15, 1975 (see Note 1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1974

1. **Long term debt**

	1974	1973
7½% Convertible Subordinated Debentures Series B (including deferred interest of $182,030; 1973 - $144,530)	**$ 682,030**	$ 644,530
5% - 7½% Convertible Subordinated Debenture	**4,500,000**	4,500,000
Bank loans repayable in monthly instalments of $34,000 to April 1, 1975 and $72,700 thereafter	**4,360,501**	1,793,661
Non-interest bearing notes due $33,154 annually	**232,076**	265,230
	9,774,607	7,203,421
Less amounts due within one year	**971,484**	393,154
	$8,803,123	$6,810,267

The 7½% Convertible Debentures, Series B, are due February 23, 1985, are convertible into common shares of the Company at $4.11 per share to February 23, 1977 and $7.87 per share to February 23, 1982 and are redeemable at the option of the Company at 105.5 commencing in 1975 and thereafter at prices varying to par in 1985. The Trust Indenture contains restrictions concerning, among other things, the incurring of additional debt and the payment of dividends. Under the terms of the Series B Debentures, the payment of interest thereon has been deferred until February 23, 1975.

The $4,500,000 5% - 7½% Convertible Subordinated Debenture is due on September 15, 1993, is convertible into common shares at $9.50 per share to September 15, 1983 and is redeemable at the option of the Company prior to September 15, 1983 at par, and thereafter at prices varying from 107.5 to par in 1993. Interest on the Debenture becomes payable commencing September 15, 1975, at 5% per annum to September 14, 1983 and thereafter at 7½% per annum. The Trust Indenture provides for annual sinking fund payments in the amount of $450,000 commencing September 15, 1983.

The Debentures are secured by floating charges on all of the Company's undertaking, property and assets, both present and future.

The long term bank loans are secured by certain oil and gas properties and bear interest at ¾ of 1% in excess of the prevailing prime bank interest rate which was 11% at December 31, 1974.

The current bank loan of $1,000,000 was incurred to finance the partners' share of development of the Hilda gas unit and has been reduced to $200,000 since the year end.

Interest of $62,904 incurred on the portion of the long term bank loan used for the companies' share of development of the above project has been capitalized in the accompanying financial statements.

The annual requirement for repayment of currently outstanding long term debt is $971,000 for 1975 and $956,000 for each of the years 1976 - 1979.

2. **Capital**

	1974	1973
Authorized:		
3,000,000 2% non-cumulative redeemable preferred shares of a par value of $1		
6,000,000 common shares of no par value		
Issued:		
4,204,274 common shares net of 69,850 shares held by Red Deer Minerals Ltd. (1973 - 4,191,119)	**$15,285,208**	$15,218,355

During the year the Company issued 13,155 common shares on the exercise of stock options and under the stock purchase plan for a total cash consideration of $66,852.

647,114 shares of the Company's common stock were reserved at December 31, 1974 as follows:

18,075 shares for options granted to officers exercisable at rates varying from $1.55 per share to $6.95 per share and expiring on various dates to December 31, 1978.

33,700 shares for options granted to employees exercisable at rates varying from $1.55 per share to $7.20 per share and expiring on various dates to December 31, 1978.

121,655 shares for the conversion of the 7½% Convertible Subordinated Debenture, Series B.

473,684 shares for the conversion of the 5% - 7½% Convertible Subordinated Debenture.

The Company has a Stock Purchase Plan under which common shares are approved for purchase and immediate resale by a Trustee to key employees at the average sale price of the Company's shares on the date of the transaction. During the year 9,155 shares were sold to the Trustee and resold to employees and officers under the Plan for $6.63 per share. The balance of the purchase price still receivable at December 31, 1974 amounted to $216,253 which amount is included in the long term receivables and deposits.

3. **Income taxes**

At December 31, 1974, for Canadian income tax purposes, the companies had drilling exploration and property acquisition costs of approximately $8,100,000 and capital cost allowances of approximately $1,600,000 available to be carried forward and applied against future income.

The Company's United States subsidiary has net operating losses of approximately $241,000 available to reduce taxable income of the subsidiary in future years. These losses expire as follows: 1976 - $14,000; 1977 - $3,000; 1978 - $224,000.

4. **Remuneration of directors and officers**

During the year ended December 31, 1974 the aggregate remuneration of the ten directors in their capacity as directors was $3,875 ($1973 - $5,900) and the remuneration of the five officers in their capacity as officers was $126,000 (1973 - $93,800). Four of the officers are also directors.

5. **Commitments**

The Company has issued non interest bearing demand notes and letters of credit to the Government of Canada and others as security for the performance of work obligations by the Company in respect of normal exploration activity. At December 31, 1974, the aggregate of such obligations amounted to approximately $456,000.

AUDITORS' REPORT

To the Shareholders of Canada Northwest Land Limited.

We have examined the consolidated balance sheet of Canada Northwest Land Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

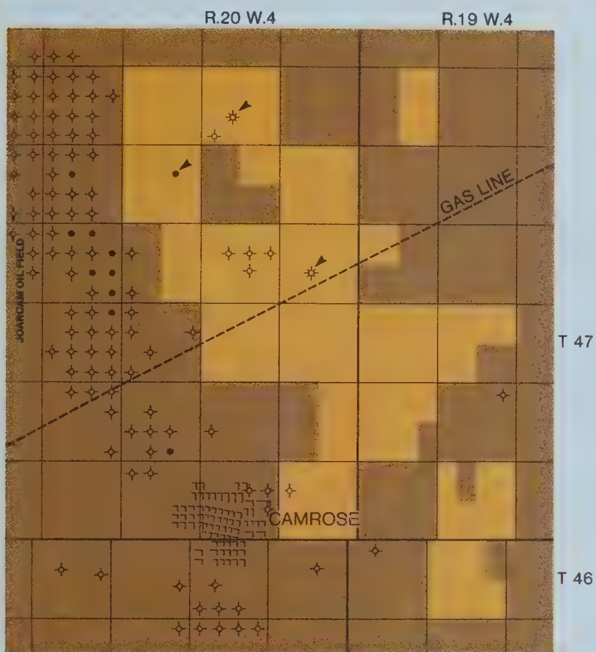
In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
February 21, 1975.

CLARKSON, GORDON & CO.
Chartered Accountants

CAMROSE AREA — ALBERTA

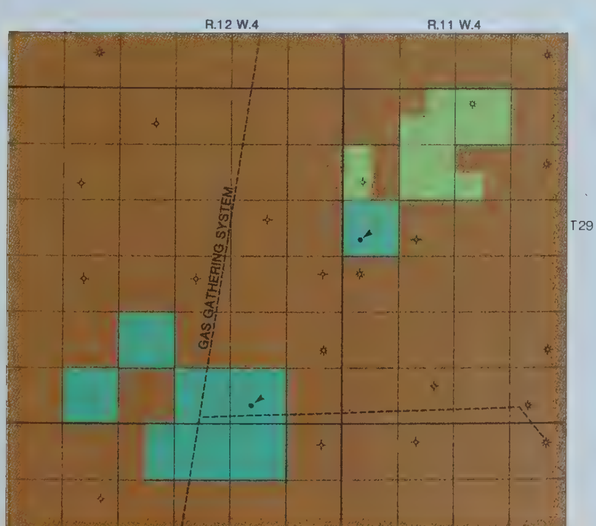
18.75% Canada Northwest Land



SUNNYNOOK AREA — ALBERTA

50% Canada Northwest Land

25% Canada Northwest Land



CANADA

In 1974 our Company participated in 53 holes in Canada, either directly or through land contributions. Of these, 36 were development holes and resulted in 35 producers and 17 were wildcats (mostly farmed out), resulting in nine producers. Estimates of gross new reserves added by this drilling are 8.9 Bcf. of gas and 529,000 barrels of oil.

At Sunnynook three holes were drilled on 12,000 acres, resulting in two gas and oil wells. Our Company's average interest is 33%. Four holes were drilled at Turin on 7,200 acres, 55% owned, resulting in three gas wells and one oil well. At Camrose on a 10,000 acre spread, 20% owned, two gas wells and one oil well were drilled.

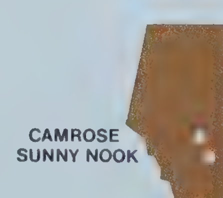
Hilda Area — Medicine Hat Field:

In January 1974, 20% of our Hilda gas reserves in the western part of the block went on stream. After long construction delays, another 60% of the reserves went on stream in January 1975 from the central part of the block. Infill drilling is proposed for 1975 and 1976.

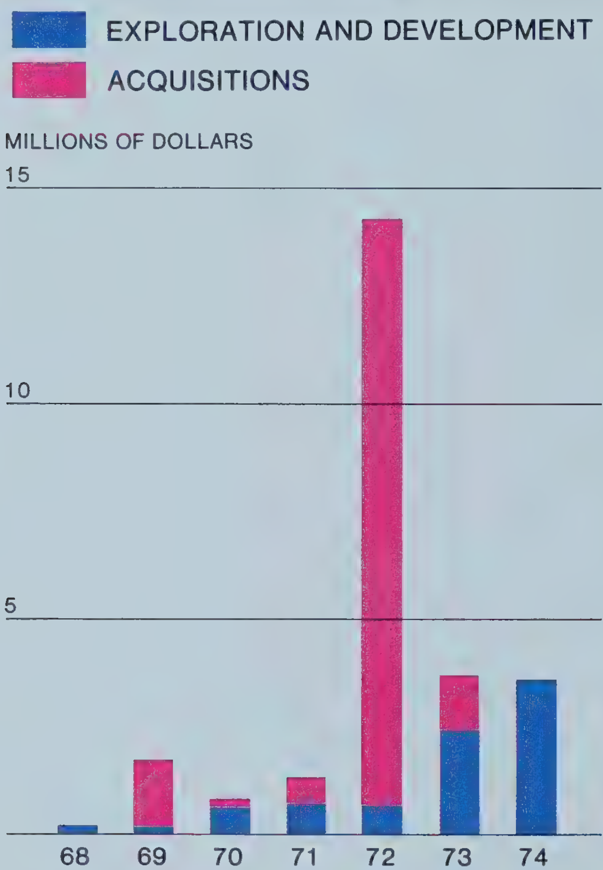
The gas is being sold to TransCanada PipeLines Limited for approximately 66¢ an Mcf. Price redetermination takes place each year and is in progress at this time.

Our Company holds additional undeveloped gas lands north of present production which are estimated to contain another 20% of the reserves in the area.

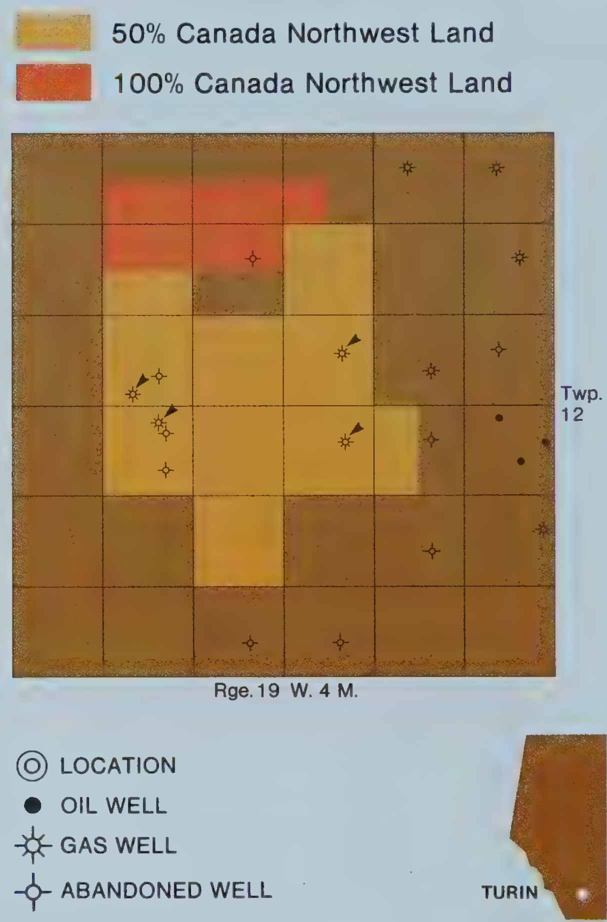
LOCATION
OIL WELL
GAS WELL
ABANDONED WELL



GROWTH EXPENDITURES



TURIN AREA — ALBERTA



Other Gas Areas:

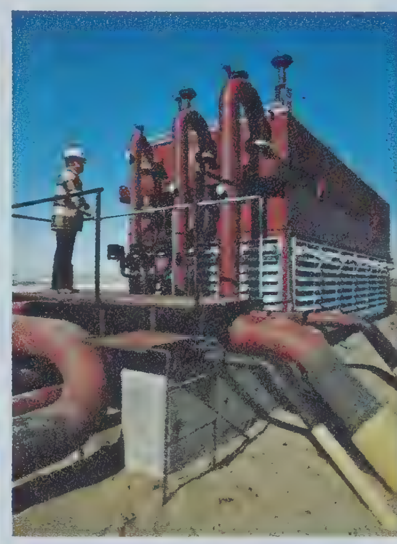
Gross reserves in the Tweedie and Westlock areas of central Alberta total 45.8 Bcf. and could be on stream by early 1976, assuming the negotiation of suitable gas purchase contracts. During the year, two new gas wells were drilled at Tweedie and additional drilling is planned for both Tweedie and Westlock in 1975.

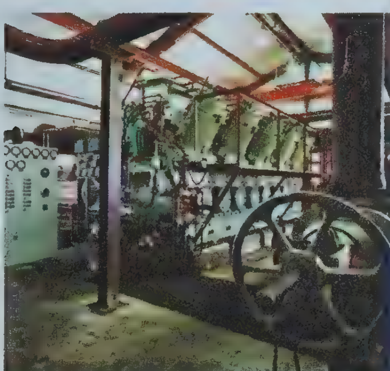
Other gas reserves at Neptune, Turin and Camrose could be placed on stream during 1975, after further development. Gross gas reserves in these areas total 5.7 Bcf.

Saskatchewan:

Early in 1974 the Saskatchewan government imposed confiscatory royalties and mineral taxes on production in the Province. In addition, the Federal government's export taxes resulted in Saskatchewan crude being priced out of the U.S. market and cut-backs in production have occurred. Management decided — reluctantly due to our Company's 90 years of activity in Saskatchewan — to dispose of most of its assets in the Province. The oil reserves were sold for $1.8 million and approximately 107,000 acres of freehold titles were disposed of.

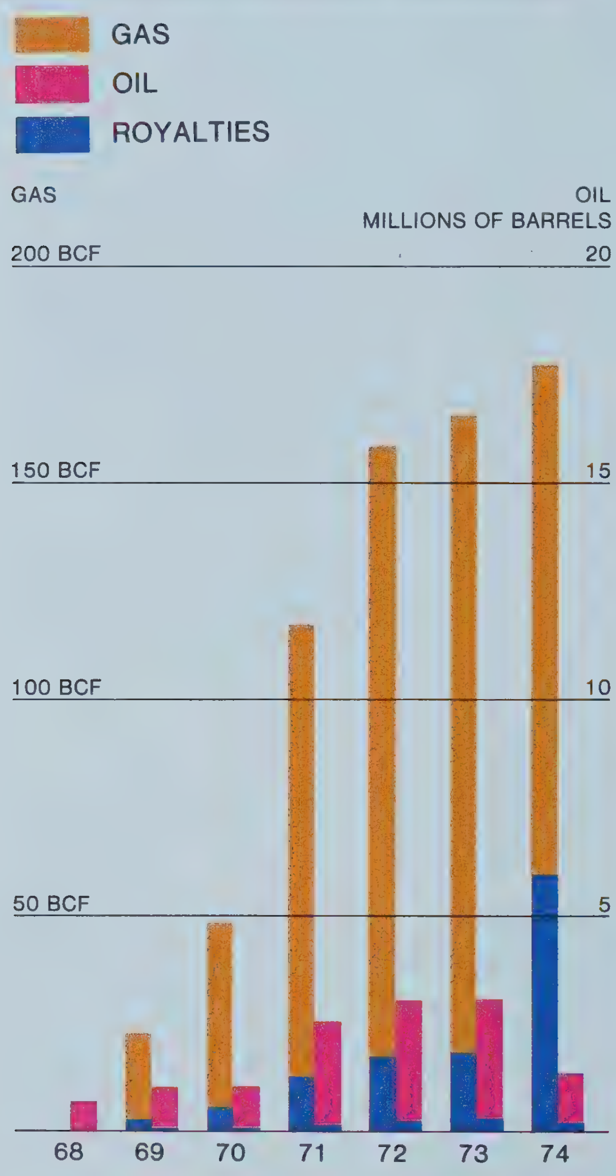
In hopes that conditions for explorers will eventually improve, 110,000 acres of land, and some production, were retained to form the basis of future programs.





A composite view of the Hilda-Medicine Hat, Unit No. 2 gas processing and compressor plant which went on stream in January, 1975.

PROVEN AND PROBABLE RESERVES



RESERVES:

In 1974 our exploration and development programs were successful in adding 8.9 Bcf. of gas and 529,000 barrels of oil to reserves, more than sufficient to offset production during the year. Despite this satisfying performance, the gains were more than wiped out by increases in royalties, as is illustrated in the following table. Gas reserved for royalties as a percentage of gross reserves increased by 165%, while oil reserved for royalties increased by 93%.

	Gross	Net
Gas Reserves end of 1973 (MMcf.)	166,748	147,671
Less 1974 Production	1,188	950
Plus 1974 Additions	8,939	
Gas Reserves end of 1974	174,499	114,199
Oil Reserves end of 1973 (barrels)	3,100,000	2,806,000
Less 1974 Production	168,700	112,300
Less reserves sales	2,079,300	
Plus 1974 Additions	529,000	
Oil Reserves end of 1974	1,381,000	1,128,000

Shareholders will note with distress the rapid increase in government royalties and taxes imposed, at the source, on reserves in the ground.

Despite the shrinkage in net reserves due to higher royalties, the value of the reserves remaining is much higher now than a year ago and is still rising. Gas is still underpriced in relation to oil and the Federal government has stated that it will do what it can to rectify the imbalance. While the impact of higher gas prices will be particularly favourable to our Company with its emphasis on gas reserves, it is to be regretted that the government contemplates more interference with the discipline of the market place through price fixing.

INVESTMENTS:

PANARCTIC OILS LTD.

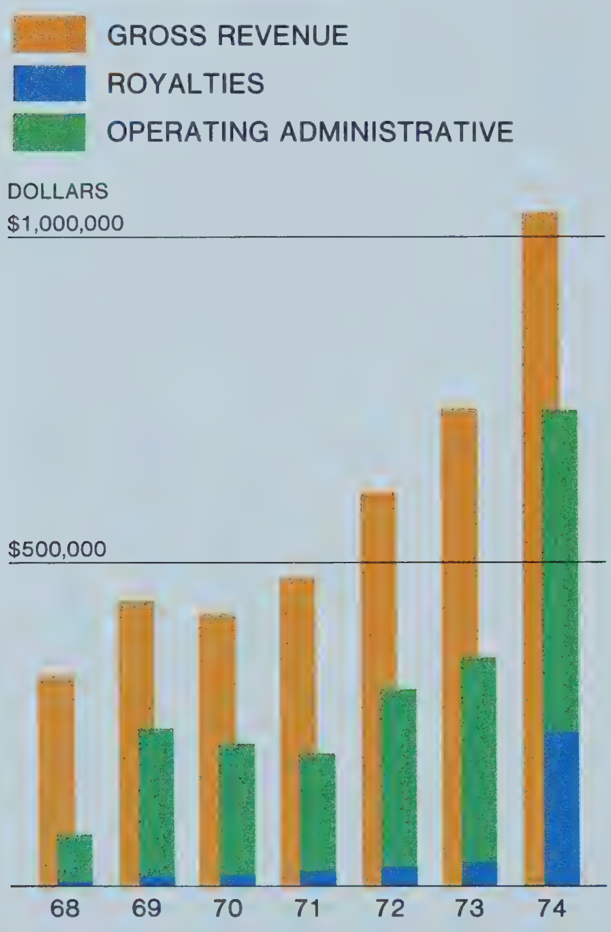
During 1974 Panarctic (of which our Company owns 1,586,000 shares) concentrated on extending its gas reserves in the Canadian Arctic Islands. Extensions to the Hecla and Drake Point gas fields were made and the first completed oil well was drilled at Bent Horn. The 1975 program will be directed to the same objectives in the southern part of the Arctic Islands closest to proposed pipeline outlets. The pipeline consortium, Polar Gas Ltd., plan a continued high level of research and line location surveys during 1975.

It is hoped that the Federal government will shortly take firm action to encourage exploration in this expensive and risky area, but until it does, it was decided not to continue to contribute to Panarctic's programs. It seems ironic that the Federal government which, with 45% of the shares, is the main shareholder and largest supporter of this project, is also the main source of the problems besetting Panarctic and exploration in the Arctic.

RIO ALTO EXPLORATION LTD.

This (28% owned) company, continued its mineral exploratory activities in Canada and abroad during 1974. North American Nuclear Ltd., which holds 265 claims in the Elliot Lake uranium area of Ontario, was purchased for shares and cash, adding exposure to uranium exploration. Oil wells purchased in 1973 were reworked during 1974 and provide sufficient income to cover administrative costs. Working capital at year-end stood at over $100,000.

REVENUE AND COSTS



FINANCIAL:

Gross revenues from all sources in 1974 rose by 55% to $1,139,506 compared with $738,423 in 1973. This figure includes payments made to Provincial governments on account of royalties and mineral income taxes.

These latter costs rose by an unprecedented 545% to $239,000 in 1974, while gross production revenues grew by only 106%. Last year, royalty payments comprised 21% of gross revenues compared to 5% the year before. The fact that a small company such as ours has so much of its cash flow eaten up by taxes or "economic rents" (83% in 1974) before it comes close to reporting profits, emphasizes the difficulty we face in financing the continued search for energy in Canada. The injustice is even more pronounced now because these types of payments are not allowed as deductions against income taxes.

Higher cash costs due to expanded development programs, increased borrowings and confiscatory royalties, reduced cash flow to $50,000 from $221,000 in 1973. Without the increased royalty burden cash flow would have been close to $240,000. Non-cash charges were also higher reflecting greater investment in facilities not yet producing income and the 1973 debenture discount write-off, which together, resulted in an increase in net loss to $423,000.

The average price received for oil was $5.49 in 1974 compared with $3.35 in 1973.

OTHER:

Subsequent to the year-end, it was decided to delist the Company's shares on the Vancouver Stock Exchange due to lack of trading. Continuing the corporate reorganization program, CNW Oil Limited was wound up and its assets transferred to the parent company.

At the Annual Meeting in April 1974, Mr. George Ross of Montreal was elected a Director of our Company.

Below is a reprint of an advertisement which appeared in a publication entitled "CALGARY, ALBERTA — HER INDUSTRIES & RESOURCES", published in March, 1885:

THE

Canada Northwest Land Co.

OFFER FOR SALE

SELECTED

FARM LANDS

In Manitoba and the Northwest Territories, near the Canadian Pacific Railway Main Line.

A Large Proportion of this Company's Lands is in Thickly-settled Districts.

FOR INFORMATION, PRICES AND MAPS

APPLY AT THE OFFICES OF THE COMPANY.

14 Castle St., Edinburgh, Scot.; 75 Lombard St., London, Eng.; 181 Main Street, Winnipeg, Man.

W. B. SCARTH,

Managing Director in Canada.

Canadian Pacific Railway

TOWN LOTS.

The Town Site Trustees offer for Sale

BUILDING SITES

AT CALGARY,

And all Stations on the Main Line of the above Railway between Brandon and Calgary.

W. B. SCARTH,

Director.

CNW

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CANADA NORTHWEST LAND LIMITED
Consolidated Statement of Source and Application of Funds
(Unaudited)

	SIX MONTHS ENDED June 30, 1974	SIX MONTHS ENDED June 30, 1973
Source of Funds:		
Cash income from operations	$ 37,372	$ 90,120
Less: loss on sale of investments	12,193	
	25,179	90,120
Issue of common shares	66,852	1,376,050
Bank loans	685,400	650,000
Refundable deposits		9,465
Sale of property and equipment	10,194	35,528
	$ 787,625	$2,161,163
Application of Funds:		
Investment in subsidiary	$	$1,298,334
Non-interest bearing note	4,600	4,600
Investment in Panarctic Oils Ltd.	395,241	400,779
Investment in North Sea Petroleums Ltd.	15,496	
Conversion of Series A Debentures		161,000
Expenditures on property and equipment:		
Drilling and exploration	504,938	400,041
Acquisition and rental costs	281,147	189,896
Production and other equipment	456,496	35,409
Financing costs		48,604
Employee stock purchase plan	54,332	
	$1,712,250	$2,538,663
Increase (decrease) in working capital	($ 924,625)	($ 377,500)
Working capital as at December 31st	581,627	425,715
Working capital (deficit) as at June 30th	($ 342,998)	$ 48,215

CNW

CANADA NORTHWEST LAND LIMITED
920, Three Calgary Place,
355 - 4th Avenue S.W., Calgary, Alberta T2P 0J1

Globe & Mail,
Report on Business,
140 King St. W.,
Toronto, Ontario.

INTERIM REPORT

CANADA NORTHWEST LAND LIMITED

CNW

Six Months Ending
June 30, 1974

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TO OUR SHAREHOLDERS:

The attached statements of income and source and application of funds for the first half of 1974 show the initial effects of a major program of gas development now taking place in the Hilda area of Medicine Hat in southeastern Alberta. When completed later in the year, these facilities will generate substantial cash flows but at the moment, they are a heavy load on management, current revenues, working capital and lines of credit. For the first half, gross revenue at $424,000 was 43% above last year's level. This reflects higher prices as well as increases in gas and oil production. As a result of inflation, the gas development program and an active exploration program in various parts of the world, cash costs were double the same period of last year. The major contributors were interest charges on funds borrowed for construction, higher administrative costs and Saskatchewan mineral taxes. Cash flow declined to $37,372 from last year's level of $90,120, while the net loss after non-cash charges increased from $57,000 to $216,346. Much of the increase in non-cash charges is due to amortization of the discount on the 1973 issue of convertible debentures. By 1975 all of the debenture discount will have been written off.

It is expected that the company's 1974 gas development program at Hilda will be completed by early Fall. This has involved participation in the drilling of some 55 wells; the construction of two compression plants; and the laying of close to 100 miles of pipe lines. This gas will be sold to TransCanada PipeLines Limited, starting at 26¢ an Mcf., rising to 60¢ an Mcf. in November this year. Prices will be redetermined each year. Yearly cash flow to our company of $1.3 million is expected to be derived from this project. In 1975 further development of gas reserves could take place, with a consequent increase in cash flow.

Since the beginning of 1974, including the Medicine Hat drilling, our company has been involved in 59 wells, of which 56 were producers. During the remainder of the year, it is expected that at least another 15 holes will be drilled, mostly by other companies on farmouts from Canada Northwest.

Your company continues its active foreign exploration programs. The U.S. exploration program was accelerated with the opening of an office in Denver, Colorado. The company now has interests in close to 600,000 acres of choice exploration acreage in nine states.

In the North Sea, the second Burmah hole in the Ninian field, apparently well down the north flank of the structure, was reported to be a good oil well. The second BP well, a mile from the edge of Block 3/7, in which our company has a 20% interest, was still drilling at the time of writing. A very detailed seismic survey was completed in June by those holding blocks over the Ninian structure, including the Block 3/7 group, and following interpretation of this survey, we will decide where to locate our first hole. Other seismic surveys were conducted on offshore blocks south of Sicily and east of Spain.

The Federal election on July 8, 1974, resulted in a majority Liberal government being returned to office in Canada. It is hoped that this position of strength will enable the government to attack the many problems besetting the country, with dispatch and common sense. If this occurs, the country might be expected to be on the verge of a period of stability and calm in which we can start to repair the damage done to our industry by poorly conceived, ad hoc government policies and attitudes. The Alberta government may have made the first positive move by announcing that "new" gas (any new production after January 1, 1974) qualifies for 20% lower royalties. This reduction affects all of our company's gas reserves currently being developed.

H. G. GAMMELL,
President.

August 16, 1974.

CANADA NORTHWEST LAND LIMITED
Consolidated Statement of Income
(Unaudited)

	SIX MONTHS ENDED June 30, 1974	June 30, 1973
Revenue:		
Oil and gas sales and other operating revenue	$ 390,863	$ 294,989
Investments	33,618	2,507
	$ 424,481	$ 297,496
Deduct:		
Operating expense	$ 79,465	$ 56,490
General and administrative expense (net of management fees)	164,206	107,150
Mineral taxes	52,218	15,498
Interest	91,220	28,238
	$ 387,109	$ 207,376
Cash income from operations:	$ 37,372	$ 90,120
Deduct:		
Depletion - depreciation	$ 97,775	$ 111,280
Amortization of financing charges and debenture discount	125,000	17,624
Deferred interest	18,750	18,750
	$ 241,525	$ 147,654
Loss before extraordinary item	$ 204,153	$ 57,534
Loss on sale of investments	$ 12,193	$
Net loss for the six months	$ 216,346	$ 57,534